C's magazine for Canadian exporters

FALL 2013

EXPORTWISE

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CHINA'S EVERBRIGHT INTERNATIONAL
China is the new cleantech frontier and this firm, its top buyer

SMART GRIDS, SMART TRADE
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WHY IT'S WORTH TRAVELLING 10,000 KM TO DO BUSINESS IN CHINA

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FROM SIZZLE TO FIZZLE?

Sino-slowdown is among the top topics on the summer chat circuit. Small wonder—current performance is well shy of the record-setting 30-year winning streak that has vaulted the ancient land into the number two spot on the global GDP charts. The abruptness of the about-face is disarming.

Is there a simple explanation, or is something more serious underway?

Although China's modern ascendancy has long since exhausted known superlatives, it still grabs attention. It's hard to fathom two decades of pre-crisis growth averaging 11 per cent each year.

Many have long questioned the sustainability of this juggernaut, but it wasn't until last summer that growth wobbled. Growth is now clocking in at seven per cent, well shy of the government's own scaled-back projections for 2013.

Should we worry? Put in context, a slowdown in China is probably overdue. China's rise was heavily dependent on growth in the rest of the world, which was excessive in 2004–08. It's been anything but robust for at least five years.

Crisis-inspired public policy measures—by some estimates amounting to over 25 per cent of GDP—have filled in the growth gap, buying time ahead of the elusive global recovery.

Continuation of expansionary policy is a key assumption in the global outlook. However, China's new government has recently noted concern about excess capacity and questioned the effectiveness of policy measures.

It has even intimated that slower growth might not be so bad. These sentiments are indeed a game-changer.

LABOUR PAINS

A further growth limiter is China's tightening labour supply. Slow labour force growth is nothing new in China, but through its expansion the economy has been able to count on an army of unemployed and under-employed citizens numbering in the hundreds of millions.

Years of rapid growth have soaked up a lot of this excess, igniting wage growth in key coastal manufacturing centres. The one-child policy has ensured that this problem won't go away soon.

Is it time to rethink the China outlook?

Undeterred, China is responding to the labour challenge. India, Indonesia, Bangladesh and Vietnam have all been recent recipients of significant Chinese investments in manufacturing facilities—a process that is creating the means for China to create considerable growth capacity beyond its borders.

At the same time, China's citizens are getting wealthier, creating a home-grown growth source that is transforming China's economy, and will soon make its mark on the rest of the world.

More than 40 million people are entering China's middle class every year, and that number is increasing annually.

Global recovery is a further reason for believing in sustained strong Chinese growth. Past excesses are melting away, and momentum is once again starting to build. As it does, international trade will again ramp up, and China is in a strong position to benefit.

The bottom line? Many are fretting about recent Chinese weakness, but growth fundamentals are still strong. For now, higher growth awaits a resurgence in the OECD economies. ■

BOOST FOR BRAZIL'S BUILDING BOOM

EDC recently created an innovative **US$200 million bond reinsurance facility for Brazil's Odebrecht S.A.**, a global group of diversified businesses.

"Odebrecht is a key player in Latin American infrastructure, and this facility provides them with increased bonding capacity… to secure and manage their contracts more efficiently," said Jean Cardyn, EDC's Regional Vice-President, South America.

"As a partner, EDC helps strengthen Odebrecht's relationships with Canadian suppliers—both those in its current supply chain and those looking to work with this Brazilian multinational."

WHO WILL DOMINATE WORLD TRADE?

The World Trade Organization (WTO) sees EU-U.S. **trade domination shifting by 2035 in favour of China and India**.

While the United States and Europe will remain dominant players in world trade over the next two decades, the real question, says the WTO in its 2013 trade report, is how much ground they cede to rising economies like China.

Under good economic conditions, China could increase its export share of manufactured goods to almost a quarter of global trade by 2035 while India's could more than double, to five per cent. **www.wto.org**

CHINESE VISIT THEIR TOP FDI-OUT MARKET: CANADA

Photo: Calgary Economic Development

One of the **largest gatherings in Canada of Chinese and Canadian** investment and business leaders—some 150 delegates—met in Calgary this past summer to discuss how to increase investment from China into Canada's large cities.

In 2012, according to a KPMG report this year, Canada bumped Australia to become the lead country for Chinese outward-bound foreign direct investment (FDI). **www.considercanada.com**

CONFLICT MINERALS IMPACT MINING

A recent PwC survey of some 900 companies sheds light on the level of industry understanding and potential hurdles of the **new U.S. conflict minerals rule** soon to take effect.

By next spring (May 31, 2014), public companies will have to comply with the U.S. Securities and Exchange Commission (SEC) Dodd-Frank mandated Conflict Minerals Rule (Section 1502). It requires SEC registrants to publicly disclose their use of conflict minerals—tantalum, tin, tungsten and gold (3TG) originating in the Democratic Republic of the Congo or adjoining countries—to help reduce human rights violations.

The SEC estimates that Section 1502 will directly impact at least 6,000 registrants—and, indirectly, some 275,000 other companies—likely including Canadian mining producers and suppliers. The 3TG minerals are found in products ranging from cell phones and computers to jewellery and golf clubs. **www.pwc.com** ■

EMAIL TO THE EDITOR: 7TH TIP

In your article ***Six Tips to Impress a Foreign Buyer*** (Spring 2013, p.26), writer Lynn Côté could have added an important seventh tip: **Be clear that your sales/projects must be corruption-free.**

Some countries have well-rooted "traditions" of officials accepting bribes, usually through local agents. Say clearly that your company will never offer or accept any request for any corrupt payment or favour. Add that any local agent(s) you may use will be rigorously screened and supervised by your company.

EDC requires this and Canadian law, strengthened in 2013, makes foreign bribery a criminal offence punishable by up to 14 years in prison, wherever in the world it occurs.

Michael Robinson
Board member, Transparency International Canada

MEXICO
ON THE EVE OF NAFTA'S 20TH

By Johane Séguin, Chief Representative, Mexico, *based in Mexico City*

I've been leading the EDC Mexico team for the last four years and in that short time the market has evolved greatly. Many people don't realize that Mexico is now the fifth largest export market for Canada and a large recipient of Canadian direct investment.

Since the launch of NAFTA—coming onto 20 years in 2014—trade between Canada and Mexico more than quadrupled, reaching more than US$30 billion in 2012.

Canadian exporters to Mexico come from all key sectors, especially mining and oil & gas, automotive, aerospace, infrastructure and industrial equipment. For example, Canadian firms account for nearly three-quarters of mining investment here.

In aerospace, Mexico is fast becoming a strategic location for parts suppliers who "cluster" around major aircraft builders—just like in the automotive sector. More than 260 companies are now in the aerospace industry here, well over double that of five years ago.

In the auto sector, a recent matchmaking session that we organized with International Trade Canada took place at the APMA (autoparts) conference in Windsor, Ontario. There we arranged for major autoparts firm SISAMEX to meet 11 Ontario companies. SISAMEX recently told us it had already sent requests for quotes to six of those suppliers.

WHY MEXICO?

11th largest economy by GDP

$30 billion in bilateral trade with Canada

4th largest auto exporter

5th largest export market for Canada

Similarly, we have strong relationships, including financing, with leading firms in many sectors to benefit Canadian suppliers. This has led to more than $20 billion in EDC financing and insurance coverage used by Canadian firms and their Mexican partners over the past decade.

More and more Canadian exporters are investing in Mexico to better service this market and use it as a springboard to third countries. That's not surprising when you consider that Mexico has free trade agreements involving 44 countries. It also is valued for its skilled labour and relatively good infrastructure.

The Mexican government recently launched a new six-year Infrastructure Plan to invest more than $300 billion in new train and metro projects, ports, airports, roads, pipelines, telecom networks, power plants, and more.

Indeed, Canada is the fourth largest foreign investor in Mexico; some 2,500 Canadian affiliates are here, many being offshoots of Goldcorp, Bombardier, TransCanada and Scotiabank.

No country is without its challenges, and the recent rise in corruption and criminal violence in some areas could negatively impact business growth. Mexico is working hard to improve the country's social fabric and contain these situations.

My own experience in Mexico has been extremely rewarding. Establishing relationships here is relatively easy when you respect the culture. And even easier when you have a dedicated EDC team to help you—including our regional managers Arturo Garduno (**agarduno@edc.ca**) in Monterrey and Teresa Nizzola (**tnizzola@edc.ca**) who recently joined me in Mexico City. ■

jseguin@edc.ca

TOY STORY

How MEGA Brands turned Canada into a mega capital for toys

By Toby Herscovitch

Montreal is well known for its vibrant and playful atmosphere. But not many realize it is also the playground for the biggest toy factory in North America and ninth largest toy company in the world.

Tucked away in an unassuming industrial park is MEGA Brands, a modern sprawling plant—decorated with candy colours and motifs in its signature interlocking blocks.

The blocks come in large size for toddlers—in which the company is a world leader—and medium and small sizes for older children and even adults.

The plant is buzzing with activity—some 150 artists, designers, engineers and other specialists are busy creating new themes, characters and technology to produce the company's interlocking-block construction sets and collectible articulated figures.

FUN WITH NUMBERS

2.5 billion—MEGA BLOKS pieces made yearly in Montreal

100—countries of export

400—toy lines per year

5,000—plastic moulds used per year

20 years to life—durability of the interlocking pieces

3D printers output prototypes of new blocks and characters, while expert builders create toy-size and life-size models.

A trolley with visiting students—invited here to test new products—crosses the plant floor. They travel along a wide corridor of high-tech mould-injection machinery, which uses about 5,000 different plastic moulds every year.

The company also boasts the most advanced block-counting equipment on the market. This is a relatively new invention, adapted from the pharmaceutical industry for sorting pills. It enabled the company to repatriate much of this previously manual work from China.

"Over half of our MEGA BLOKS construction toys are now made in Canada, and all are designed here in Montreal," says Bisma Ansari, marketing vice-president.

GLOBAL PLAYGROUND

The company also owns an arts and stationery division, branded Rose Art®, as well as divisions that produce puzzles, presentation boards and writing instruments, all based in the United States. It also has offices in Europe, Mexico, Australia and Asia.

Some 50 per cent of MEGA Brands' sales go to the U.S. and the rest globally, with strong market shares in the UK, Mexico, Australia and France.

Photos: Courtesy of MEGA Brands

The company also has licensing agreements with some of the top toy and gaming brands—such as Mattel's Barbie, Activision's Skylanders, and Microsoft's Halo—mutually contributing to their popularity.

"Our products are now sold in more than 100 countries," says Marc Bertrand, president and CEO of the company, who runs it along with his brother Vic, chief innovation officer.

"The idea that originated with our parents Rita and Victor (combined to form the original name RitVik) nearly 30 years ago gave birth to a global brand," adds Bertrand with pride.

"The genius of my parents was to see the potential of construction play in child development practically from birth. They were the first to introduce big construction blocks. That was the genesis of MEGA BLOKS in 1985.

> **"We aim to put MEGA BLOKS in the top 10 toy brands in the world."**
>
> – Marc Bertrand

"In the preschool category, MEGA BLOKS is now the number one building toy in the world. And for the over-five-year-old set, we are a solid number two. We entered that category in the 1990s after the expiry of LEGO's patents."

SOME PARTS NOT FUN

As much fun as toys are, they make for a tough business.

Several years ago, MEGA Brands faced its most difficult challenge following the acquisition of a U.S. firm that owned a product line that was recalled and discontinued. Throw in the 2008–2009 recession and the company's very survival was at stake.

In 2010, MEGA Brands was able to restructure its corporate equity and debt with the help of several key investors and lenders, including EDC.

"Looking in the rearview mirror, the key lesson for us was the importance of brand. In the final analysis, the strength of our MEGA BLOKS brand convinced investors to back our restructuring plan and allowed the company to pull through," says Bertrand.

In 2012, MEGA Brands saw its total revenues exceed $420 million, up 12 per cent over 2011. The company is aiming to reach a half-billion dollars in 2014, says Bertrand.

EDC has supported MEGA Brands with accounts receivable insurance for more than a decade, he adds, and participated in the financing for its successful acquisition of Rose Art in 2005.

"EDC continued to support us through our difficult years—covering problems with our U.S. and international accounts—and was very helpful getting us through our liquidity crisis in 2009, which culminated in our successful restructuring in 2010." ■

megabrands.com

INNOVATION, INNOVATION, INNOVATION

Innovation is to MEGA Brands what location is to real estate.

"We replace 40 to 50 per cent of our product line every year—adding new characters and themes," says Bertrand. "We also invest up to four per cent of sales on R&D each year. That puts us in the top 100 companies in Canada in total dollars spent on R&D."

The company maintains its leadership and export success in three other key ways, adds Ansari.

1. PRODUCT INNOVATION

"We integrate new play patterns in our construction products. For example, our new "MEGA BLOKS First Builders Billy Beats Dancing Piano" for toddlers combines construction with music and dance," says Ansari.

"All our building toys have features that encourage developmental benefits and post-building play." This includes buildable micro-action figures, with more details and articulation than any competitor's, to drive the interests of collectors—from child to adult.

2. UNIQUE CONTENT

Through a portfolio of evergreen and trendy licensing partners, MEGA Brands products complement other activities, such as online games, videos and television shows.

3. SMART VALUE

"We also balance great quality with good value (in pricing), to offer consumers smart choices."

QUESTION ON TRADE?

If you have a question about doing business abroad, you can send it by email to the **Canadian Trade Commissioner Service** (TCS). A member of its global network—in 150 cities worldwide—will reply to you directly.

One firm writes, for example, that it intends to have a new product made in China and imported back to Canada, for resale in both the U.S. and Canada.

Should I bring all inventory into Canada, then ship to the U.S. myself, or should I ship to the U.S. directly from China?

A trade commissioner in Beijing answers that since the product is being made in China it does not qualify under NAFTA rules of origin, which is only for goods originating in Canada, the U.S. or Mexico.

Your product will enter the U.S. under the U.S. general rate which in Canada we refer to as the "most favoured nation" (MFN) rate. This tariff rate of 2.7 per cent will apply whether or not the goods enter the U.S. directly from China or if they are trans-shipped through Canada. So from a tariffs perspective there is no advantage or disadvantage to either shipping option.

Find other helpful Q&As at **tradecommissioner.gc.ca/eng/canadexport/ask-tcs.jsp**

Email your question to **canad.export@international.gc.ca**

TCS will contact you before posting your question online (unless you indicate you don't want it posted).

AFTER AN ACQUISITION

The first months after an acquisition are crucial for integrating a new business, says **BDC** Consulting Partner Gail Blanchette, who offers the following tips:

1. **Meet your new people.** Hold a group meeting as soon as possible with your new employees—either in person, video-call or web-conferencing—to reduce their fears. "People need to hear the same thing together so that the message doesn't get misinterpreted around the company," Blanchette says. But don't promise more than you can deliver.
2. **Introduce yourself to customers.** A change in ownership might be seen as a sign of weakness. Think carefully about how you want to introduce yourself to customers and suppliers. If you're planning changes, call and meet them as soon as possible.
3. **Know the business better.** Perform a high-level examination of the business, using a consultant or your accountant to help. Look at whether things are operating as efficiently as you thought and if the company is achieving the financial results you expected. If there are pressing issues, such as renewing a contract, this analysis will help you make a better informed decision.

In addition, focus on developing your own strategy for running the business, not necessarily how it was done in the past; and communicate often to help overcome people's natural resistance to change.

Adapted from the **Business Development Bank of Canada (bdc.ca)** In Business newsletter. ■

COVERSTORY

Meet a B.C. firm that went to China to catch the natural gas boom and an Ontario entrepreneur who relocated there to save his business. They travelled the roughly 10,000 km from Canada to China to succeed globally.

Plus, find out where new sky-high opportunities await—hint, cleantech. But first, turn the page...

WHY IT'S WORTH TRAVELLING 10,000 KM TO DO BUSINESS IN CHINA

FUELING GROWTH IN CHINA

Photo: Courtesy of China Gas

By Randall Mang

The natural gas sector in China is second to none in offering pumped-up trade opportunities for Canadians. *ExportWise* met with two key industry drivers who demonstrate what it takes to succeed in China.

Eric Leung and Kirk Livingston come from different countries and different backgrounds, but they both think big and build strong relationships to get results.

Leung, a Hong Kong-born and UK-educated lawyer and former investment banker is the Deputy Managing Director and CFO of China Gas, the nation's largest private natural gas utility in terms of concessions, and second largest by volume of gas shipped.

Livingston, a Saskatchewan-raised entrepreneur and former international financier, is the Shanghai-based Senior Vice-President, Asia Business Development, for Clean Energy Compression Corp. Dba IMW Industries of Chilliwack B.C., a natural gas equipment maker.

Today, China Gas is one of IMW's top clients in Asia, and the relationship is set to grow exponentially. This will get a boost from a recent $250-million credit facility for China Gas from EDC, to encourage future purchases from IMW and other Canadian companies.

INFRASTRUCTURE BUILDERS

China's natural gas sector was not always on such a high-octane course.

Leung says prior to 2004, natural gas use was virtually unheard of in China, where cheap and abundant coal had long been the preferred fuel for power generation and heating.

"Then the central government decided to burn more natural gas as a clean energy, and policies were formulated to support this new sector."

To realize its goals for natural gas, China needs infrastructure and gas supplies; on both fronts it has moved aggressively.

Capable of delivering 12 billion cubic metres of gas annually, China's first national natural gas pipeline was completed in 2004, stretching 4,200 kilometres from Xinjiang in the west to Shanghai in the east.

Since then, a second east-west line has added almost three times the annual capacity and brought gas to Southern China for the first time.

Extending from these natural gas backbones, "a myriad of major pipelines and branch pipelines bring natural gas to a widespread area," says Leung, adding that while China continues to face natural gas shortages, much is being done to bridge the gap.

Beyond China's three state-owned oil majors picking up exploration and production efforts, China has imported natural gas since 2005, today arriving from Australia, Indonesia, Qatar, Malaysia and other countries.

"Beyond 2016, China expects to import from Russia through two new pipelines," says Leung.

Whether Canada participates as a natural gas supplier remains to be seen. In the meantime, the door is wide open to natural gas service providers and equipment suppliers like IMW.

Doing business in more than 26 countries, IMW has developed markets for its compressed natural gas (CNG) equipment for vehicle refueling and industrial applications.

The company's proprietary oil-free compressors are sought for their performance, lower maintenance costs and high reliability. IMW China has also recently introduced liquefied natural gas (LNG) fueling equipment.

FIRST GLANCE

Livingston says IMW began eyeing China in the early 2000s, originally as a source of lower cost materials, and because research indicated "China would eventually be the largest gas market in the world."

By 2006, he had established IMW's beachhead in Asia, originally partnering with non-competing local manufacturers who could leverage IMW into the market through their sales and service infrastructure.

Livingston helped identify prospective clients. "We chose a strategy of building key accounts with companies traded on the Hong Kong Stock Exchange. Town Gas was first, followed by China Gas. With those two accounts in hand, IMW was tied into nearly 300 cities."

> **The shift in China to using natural gas for transport is a game changer for China Gas and IMW.**

While China Gas was an upstart in 2004, it was a good bet. As of June 2013, the company has amassed concessions—30-year monopolies—in 196 cities across China.

Though its original mandate was to serve industrial, commercial and residential clients, China Gas's prospects multiplied after China's central government reversed a former prohibition on natural gas for transport uses and has since promoted it to the highest level, explains Leung.

"This is the first year of our major rollout—at least 150 new CNG stations. This is on top of the 175 we built in the past six years," says Leung.

"We will also be building a lot of LNG stations serving the long distance transport sector, for example, trucks and buses, as well as barges, ferries and ships. LNG refilling stations is a new business sector, not only to China Gas, but to China."

ARE MORE CANADIAN FIRMS READY?

"There have been some high-level visits by EDC officials to China Gas and talk about how they could introduce more Canadian suppliers to us," says Leung.

Shanghai-based Denis L'Heureux, EDC Chief Representative, Greater China, adds that EDC presented China Gas with a list of more than 60 qualified Canadian suppliers

ADAPTING TO BUSINESS IN CHINA: TIPS FROM IMW'S KIRK LIVINGSTON

- **Live here:** You don't get accepted as part of the business community until you engage with people intimately on business.
- **Learn the language and culture:** To be part of the social fabric and build relationships, you need to understand the language and culture of China.
- **Build "Guang xi" (relationships):** This means your friends and business colleagues expect you to let them know when there is an opportunity, and to come to them when *you* need help. You've got each other's backs and you help make each other successful.
- **Check your management style at the door:** Integrate North American and Chinese management styles and work ethics.
- **Micromanage:** Establish processes, know the details. "If you don't stay on it, it will go sideways."
- **Move fast:** In China, speed to market is a must. Everybody else is trying to get to the target faster than you.
- **Central Government Five-Year Plans:** Know them inside and out.

Once China Gas shortlists companies it believes could be suitable suppliers, Leung says a due diligence process will ensue, spanning technology evaluation and plant visits in Canada, as well as detailed analysis of product specifications and how they match China Gas needs.

"Then, we would invite these companies to China to see whether it is possible for them to establish a supply base here."

While he admires Canadian enterprises, Leung cautions: "I haven't seen many that have spent the time to understand the business environment in China; many still see a lot of risks involved in investing in China and stop right there."

He believes gauging China's risks—and its opportunities—is an important step. "The second thing is to be willing to put capital and people in China, as IMW did."

SOUTH-SOUTH OF CHINA

Livingston also sees big opportunities to sell into nearby emerging markets directly from IMW's China base—a strategy known as south-south trade.

He cites Vietnam, Indonesia, the Philippines, Russia, Uzbekistan and Kazakhstan as high-growth markets for natural gas.

Livingston would like to see EDC leverage its contacts and expertise in Clean Development Mechanisms or CDM (emission-reduction projects in developing countries) to help IMW capitalize on regional infrastructure building opportunities and offer leasing products.

"We are seeing robust infrastructure development across the region," says Livingston. "IMW brings all of the applications, services and products necessary to meet our customers' demands," he adds. ■

HOW CHINA GAS & IMW CLICKED

When considering foreign equipment suppliers, Leung says, "The technology has to be better than we (China Gas) can get in China."

The availability and provision of spare parts and services are also key, he adds, including accessibility to technicians for maintenance, repair and training.

In its early days with IMW, China Gas encountered a familiar drawback with foreign suppliers: a lack of support personnel in market.

"In those days, when a compressor broke down IMW had an authorized agent in Shanghai mandated to provide services, but it was not satisfactory," says Leung.

Then, in 2008, while promoting Canadian capabilities, EDC's former Shanghai representative introduced IMW and China Gas directly, providing a chance for Leung to voice his concerns and for IMW to respond.

"It was through EDC that I came to know (IMW's) Kirk Livingston. Then, I went to Vancouver and visited the facility there and met (IMW President) Brad Miller. That was how it all really started," says Leung.

In 2009, IMW and China Gas signed a strategic agreement. "That was the first major cooperation in a high-level manner between China Gas and IMW with the help of EDC," says Leung.

With that, and a seven-figure credit facility, EDC started financing China Gas purchases of IMW equipment.

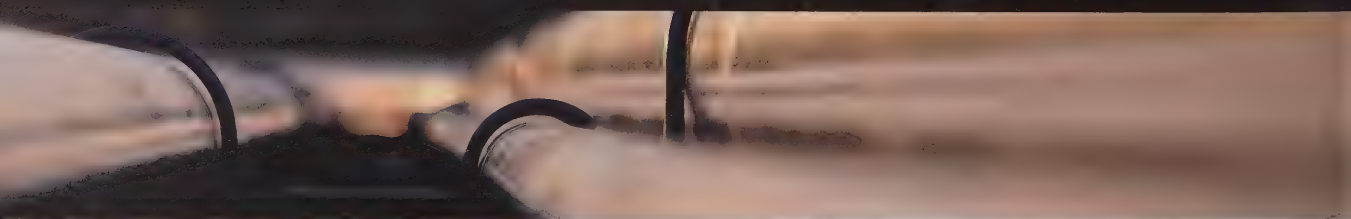
In 2010, IMW opened its Shanghai plant. "Setting up our manufacturing and production here was an essential step," says Livingston.

It enabled the company to offer quicker delivery, service and parts support for its customers, and open up new supply chain opportunities that have benefitted IMW globally.

IMW now supplies turn-key refueling solutions for China Gas stations along with engineering, regional technical services and parts supply.

Leung is also pleased. "IMW has made big improvements since they started their factory in Shanghai. Now they have their people on the ground.

"IMW will have to increase capacity even further because of the new CNG initiatives they are rolling out. We will be buying a lot more from them."



GOING UP
EHC GLOBAL ELEVATES ITS GAME IN CHINA

By Randall Mang

For most of us, escalator handrails and elevator mechanisms are so commonplace it's easy to forget about them. To veteran Canadian entrepreneur Ronald Ball, lift equipment and components are big business. "Somebody's got to make them," says Ball, at one of his manufacturing facilities near Shanghai.

His company, Ontario-based EHC Global, supplies some 40 per cent of the global market for escalator handrails. And about 60 per cent of the company's total production is in China, with approximately half of that exported internationally.

After leaving his job with industrial rubber products maker Goodyear in 1977, Ball started his handrail manufacturing and export company in Oshawa with one employee.

After penetrating the United States and establishing a presence in Singapore and Korea in the early '80s, Ball set his sights on Europe. It was a good move, and offers a tried and true lesson for companies eyeing growth, to do so by integrating themselves into the supply chains of larger firms.

"In those days, Europe was the centre of the lift industry. So we set up a manufacturing plant in Germany. We're still there.

"Gradually, the German lift manufacturers we supply—like Otis and Schindler—went to Asia. They had to have handrails, so we followed them. It was simply a matter of continuing to service our well-established customers."

Today, Ball says about 75 per cent of the world's elevators and escalators are produced in China. "Had we not come here, we probably wouldn't have survived."

Just being close to his customers, however, didn't guarantee success.

In 1997, the Asian financial crisis struck. Ball, then in his mid-50s, personally relocated to Shanghai to save EHC. "I wasn't going to let this thing sink the ship."

Under Ball's leadership in Asia, EHC flourished, growing from a $20 million enterprise into one with $50 million in sales annually.

ON TRACK FOR GROWTH

A relentless focus on product quality and innovation has helped EHC maintain its market leadership and growth.

Among the company's latest products are antimicrobial handrails that it now sells to Seoul, Korea's Incheon International Airport. "We hope to offer this product to China's mass transit operations and high-class commercial buildings," says Ball.

EHC has also started selling sleek, thermoplastic polyurethane handrails that can be made in any colour and printed with advertiser or safety messages.


EHC's Ronald Ball at his Shanghai plant, which produces escalator handrails (shown) and related parts.

Photo: Courtesy of Louise Mang

Products like these are helping EHC's core handrail business grow 12 to 15 per cent annually.

EHC now also manufactures durable thermoplastic polyurethane rollers for escalators and elevators, which are growing 25 per cent a year.

"There are 10 times as many elevators as escalators, so serving elevators has broadened our market," he adds.

EHC is putting its expertise to work in new ways too, including engineering custom products for its clients. Among them, EHC invented a durable flat lift belt, made from steel cable-reinforced polyurethane for a global elevator company.

"Our client is so impressed with our ability to design and develop, they want us to set up manufacturing plants in Europe and North America. It has the potential to double our business."

> "We must continue to drive cost out of our products."

Despite such success, EHC faces tough competition in China.

Although the price of its handrails is lower now than when EHC started, Ball says competitors are rising. "They're 30 per cent cheaper than us in price. They don't have our quality or technical development skills, but they operate on a Chinese shoestring, which is pretty skinny."

To keep ahead of the pack and fund its growth, EHC also needs working capital, another challenge in China. "For this new flat belt venture alone we spent $1.5 million of our own money setting up the equipment.

OVERCOMING FINANCIAL CONSTRAINTS

Ball says banking in China is heavily controlled and generally not easy, especially for foreign entities. "Foreign banks really struggle here too, because they're so restricted."

Denis L'Heureux, EDC Chief Representative, Greater China, says among its initiatives, EDC is working on a deal with local banks in China to help bring Canadian companies "stable and increased access to working capital."

Beyond China, EHC has used EDC's accounts receivable insurance for more than 20 years to export to many parts of the world.

"Our bankers in Canada recognize the insured receivables as collateral, which can get us 10 per cent more working capital. Leveraging these assets has been important to our export success."

> EHC expects to double its sales within seven years—to $100 million annually.

PROTECTING INTELLECTUAL PROPERTY

While most of EHC's R&D remains in Canada—where the company can readily access skilled engineers, tap Canadian R&D tax incentives and worry less about intellectual property (IP) risks—manufacturing in Asia has meant moving certain aspects of the company's sensitive technology to China.

"Since deciding to bring our thermoplastic polyurethane products and manufacturing process to China, we have been very careful," says EHC founder Ronald Ball.

To protect EHC's IP, Ball has implemented various measures, including:

- **Selective trust:** Only employees with a minimum of five years with the company may work with the new processes and systems.
- **Restricted access:** Only six of EHC's Shanghai employees have access to the new manufacturing facility's core technology. When visitors tour EHC's new plant, curtains are placed around sensitive equipment.
- **Mystery materials:** Raw materials are sent to another warehouse where manufacturers' labels, brands and other details are stripped from packaging before it is sent to EHC's new facility.
- **One part at a time:** When EHC implements new machinery, components are procured from various suppliers and later assembled on site. "None of our suppliers see the whole unit."

BRIGHT GREEN TRADE

By Randall Mang

Responsible for environmental protection and remediation, China Everbright Internatic Limited (Everbright International) is at the forefront of China's determination to address it massive pollution challenges affecting air, water and land

In recent months, local news articles have announced new anti-pollution measures by China's cabinet, such as reducing emissions in key industries at least 30 per cent by the end of 2017.

In this vein, Everbright International, a state-owned enterprise and Hong Kong listed company, welcomes new partners to complement its own environmental strengths.

Staffed by more than 1,700 employees, Everbright International's capabilities span environmental project investment, construction engineering, operation management, technology research and development, and equipment manufacturing focused mainly on clean energy and water, and alternative energy.

With more than 70 initiatives in 20 cities under its belt, the firm's clean energy projects include waste-to-energy, methane-to-energy, biomass power generation and solar photovoltaic energy.

It also facilitates the treatment and disposal of hazardous waste, treatment of waste water and surface water, and design and construction of environmental protection industrial parks.

"Owing to the limited resources in China, our objective is not only to control the pollution, but also to maximize our resources and achieve higher utilization efficiency," says Chen Tao, deputy general manager of Everbright International and a veteran project manager and engineer who joined the company eight years ago.

Denis L'Heureux, EDC's Chief Representative, Greater China, says China is the world's biggest cleantech market.

"Last year, for the first time, China spent more on cleantech than the United States. It's the number-one country worldwide in cleantech and alternative energy investments. The money here. The opportunities are huge."

Speaking from Everbright International's mainland headquarte high atop a brand new office tower overlooking a tree-lin street in the modern city of Shenzhen—Chen says Everl International's ultimate goal is to provide munic China with environmental solutions that bring together its ful capacity—from waste treatment to emissions reduct

WHAT THE BUYER WANTS

When choosing suppliers, Chen adds, Everbright Internationa starts by seeking companies that share its corporate valu environmental protection and commitment to social responsibility

Beyond that, says Chen, "they must have the technological capacity, and ability to deliver and support those technologi ideally through a local presence.

"Until recently, Everbright International didn't have substantia cooperation with Canadian companies," says Peter Xu, ED Senior Reg al Manager, Greater China

EDC has been on a path to enlighten the firm about Canadian prowess in cleantech for about a year. That's when EDC joined the ranks of other international lenders—including the Asian Development Bank and International Finance Corporation (part of the World Bank Group)—that have helped support the publicly traded firm's projects

For its part, EDC's recent $10 million financing to Everbright International included a stipulation that the company "look into procurement from Canadian companies, as long as they are competitive," says Xu.

"EDC has introduced Canadian companies to us, and we have been in discussion with several of them," adds Chen. "This is a good way for Everbright International to understand Canadian technology and capacity better."

While (as at June 2013) Canadian companies have yet to win specific Everbright International projects, he says "some of the technologies may not have immediate application, but they could be a source of reference for future projects."

Noting that Canadians are recognized for innovation, especially in areas such as water treatment using plasma technology, Chen believes Canadian suppliers typically have a harder time competing with European firms. Those companies are more accustomed to providing comprehensive solutions to large-scale environmental challenges.

SCALING UP

L'Heureux agrees. "Canadian companies have great technologies and great solutions. The issue is that Canadian companies also tend to be small. They typically lack the scale to fulfill large orders from the Chinese."

He adds, however, that Everbright International could potentially become a strategic partner for a Canadian company "and really help them grow and develop."

Chen's preference for technologies that are "localized" (tailored) to address issues such as China's solid and liquid waste opens a door to opportunities.

"Technology or equipment that works well in Canada may not automatically work perfectly in China. For example, the content of the waste differs from that in North America, so it makes sense that the waste treatment technologies needed here in China may differ from those in Canada."

For example, as part of its mission to develop comprehensive solutions, Everbright International is seeking technologies that treat not only a broad band of waste—such as kitchen, sewage and liquid—but which could ultimately also recycle residual sludge or convert it into a clean fuel.

Tasked with leading China's environmental efforts, Everbright International recently relocated its head office to Shenzhen, a city of 10 million, which itself faces big enviro-challenges.

Photo: Courtesy of Louise Mang

New technologies brought to Everbright International's attention should combine **innovation** with **best possible cost** of acquisition and operation.

That may sound like a tall order, but Chen suggests, "If a Canadian company is willing to work with us from the very beginning on joint research, evaluation, and analysis of the project before it is launched, then we could line up the technology solution together."

By jointly developing such customized—and cost-effective—solutions, Chen says, Canadian firms could win the business.

Naturally, collaborative R&D—even when conducted among Canadian firms in Canada—raises sensitivities. Acknowledging that intellectual property (IP) protection is a top concern of Canadian companies coming to China, Peter Xu says IP issues are improving here.

"Like any organization, if you work with other companies it's not 100 per cent guaranteed risk-free, but Everbright International is a perfectly credible company listed on the main board of the Stock Exchange of Hong Kong Limited. Cooperation with Everbright International is quite safe."

The bottom line, he says: "China needs the resources, needs the technology in environmental protection. Canadians have that. It's complementary, so it's good that we create cooperation opportunities between Canadian and Chinese companies." ■

If you would like your company to be considered for future EDC-supported events and matchmaking activity involving Everbright International, please contact EDC's Lynn Côté (lcote@edc.ca).

EVERBRIGHT INTERNATIONAL'S TECHNOLOGY SHORTLIST

- Technology that treats organic waste with oxygen
- Clean methods to convert sludge into energy
- Technologies to recycle sludge, such as turning it into fertilizer
- Energy-saving technology in wastewater treatment
- Biomass energy technology
- Soil remediation technology
- Emission purification technology

Cold-storage facility Confederation [illegible] seamlessly participates in ENBALA's Grid Balance® program [illegible]

SMART GRIDS GENERATE POWERFUL TRADE

By Danny Kucharsky

Numerous Canadian companies have powered up to create innovat[illegible] for smart grids and are seeing sales [illegible] few of them.

It improves data about electricity usage, pinpoints power outages, reduces electricity theft and more.

It's called the smart grid and includes everything from the home installation of smart meters that provide energy usage data to electrical utilities and homeowners alike, to software that allows industrial and commercial users to reduce their energy during peak periods.

The smart grid "is really about grid modernization with [illegible] technology," says Jim Burpee, president and CEO of the Canadian Electricity Association.

Burpee says the addition of new [illegible] equipment to power [illegible] to control the grid, restore power after outages and to pla[illegible] more effectively.

STRONG TAILWIND

The smart grid "has been the wind in our sails," says Thomas Ligocki, president and CEO of Richmond, B.C.-based Clevest, which makes mobile workforce products that help install smart meters and its next phase—mobile applications for the smart grid.

Clevest initially began making smart grid support products in 2006 out of a basement with six people, and now has 124 employees. It's growing so quickly that it was recently named Canada's sixth fastest growing company by Profit Magazine.

Clevest's software allows workers installing smart meters to determine whether they are operating correctly and to diagnose them if not.

"We had the fortune of being able to create innovative technology that could serve a new market and we've been able to ride that wave," Ligocki says.

More than 130 utilities have bought into Clevest's solution and almost all are abroad—only seven per cent of business is in Canada.

Clevest was named Canada's 6th fastest growing firm.

The United States comprises about 70 per cent of exports and China about 20 per cent, with Latin America, Europe, Australia and the Philippines making up the remainder.

To bulk up U.S. sales, the company has a five-person office near Dallas, Texas and a travelling salesforce in nine regions of the country. "That gives our U.S. clients a level of comfort," says Ligocki, who has encountered a desire to buy locally among some potential clients.

However, having products with unique features and developing partnerships with U.S. firms has helped overcome that stigma, he says.

Ligocki says EDC has helped Clevest find new clients, namely through a recent matchmaking session organized by EDC and the Department of Foreign Affairs, Trade and Development (DFATD), which brought six of Colombia's largest electricity companies to Vancouver (and Toronto).

"While our sales team had met with some of those utilities, having them come here added a lot of credibility to us as an organization. They need to see us in our element and know there's a large organization standing behind us."

Clevest recently added an Android application to take advantage of the popularity of the operating system in inexpensive mobile devices in developing countries.

It's also aiming to launch a theft analysis and prosecution solution system next year that Ligocki believes developing countries will be eager to embrace.

REDUCING THEFT AND FRAUD

Indeed, electricity losses from theft, bill fraud, meter tampering and equipment failure are among the industry's most persistent problems.

"It's a huge problem in emerging nations," says Mischa Steiner-Jovic, CEO of Vancouver-based Awesense. In Brazil, for example, losses are around 30 per cent and that number can reach 100 per cent in parts of India and Pakistan, he says.

However, Awesense has "built a system that can easily identify where losses are occurring, without having to implement billions of dollars of fixed infrastructure within the grid," says Steiner-Jovic.

The company's SenseNet system is designed to help utilities cut power losses and recover lost revenue from theft, transformer overloads and other problems.

It has helped clients recover tens of millions of dollars in avoidable power losses and led to the company being nominated a smart grid company to watch in 2013 by Smart Grid News.

By analyzing small chunks of the distribution grids, the technology allows utilities to zero in on where their losses are occurring. Previously they could only guess where these were happening.

Awesense revenues are up about 300 per cent compared to last year and its employee count increased from 5 to 20, divided between a Vancouver office, Richmond, B.C. manufacturing facility and Kelowna, B.C. lab.

The goal is to obtain about 200 per cent growth annually for the next several years.

Like Clevest and 20 other Canadian suppliers, Awesense participated in the EDC-DFATD matchmaking session with potential Colombian clients.

Steiner-Jovic has since had follow-up meetings in Colombia. He now plans to use EDC accounts receivable insurance and to hold discussions with EDC's investment arm about financing.

Steiner-Jovic made use of business contacts to get started in exporting, with its first export sales to ELO Sistemas Electronicos of Brazil. "The losses in their grid are substantial," he says. "It's a solution Brazil desperately needs and a great fit for us."

That Brazilian sale allowed the company to gain traction abroad, with Latin America now Awesense's largest export market outside the United States.

LEFT: The Awesense system can pinpoint the location of power losses. Photo: Courtesy of Awesense

RIGHT: Clevest's software lets workers instantly diagnose smart meter problems. Photo: Courtesy of Clevest

Sales have been boosted by policies in Latin American countries that are aimed at decreasing grid loss. That's in sharp contrast to Canada where, with the exception of B.C., provincial utilities pass losses onto users.

"Since the utilities are guaranteed they will not lose money, they have little motivation to do anything about the problem. That's why we've gone internationally."

Exports represent less than 20 per cent of Awesense sales, but Steiner-Jovic expects substantial growth to come from Eastern Europe, as utilities aim to make distribution grids more efficient.

ENSURING ENOUGH POWER

Another way to increase efficiency is by ensuring that electricity utilities and grid operators have the right amount of power every second of the year to meet continuously changing demand. This ensures electricity users have power when they need it.

This constant balance of supply and demand is becoming increasingly challenging as demand patterns change and the supply mix includes rising levels of intermittent renewable energy generation.

That's where ENBALA Power Networks comes in. The company has developed smart grid technology that connects and engages large industrial and commercial electricity users to its GOFlex platform, creating a network of electricity customers that help balance the grid.

"The idea is that if we could get them (electricity users) [illegible] involved in supporting the management of the power system, we could make it operate more efficiently and less expensive," says Ron Dizy, president and CEO of ENBALA.

ENBALA offers grid operators and electricity utilities the unique ability to vary the amount of power in their grids every few seconds. In return for accepting these variations in electricity, large users are compensated by ENBALA.

ENBALA has 40 employees split between Toronto and Vancouver, with a few sales personnel in the United States, which accounts for 20 per cent of its sales. Revenues have been growing 50 per cent annually since 2011.

EDC provided equity financing to ENBALA in 2010 and [illegible] Enertech Capital, a fund EDC invests in, is also a lead investor in the company.

"In addition, EDC has added value that is distinct from conventional venture investors by trying to [illegible] introduce us to export markets," Dizy says.

Dizy expects the company to expand to Europe by 2015 but is currently focusing on North American opportunities.

In the U.S., "we're generally known as the people who [illegible] real-time flexibility to grid operators and electricity utilities by managing demand-side loads. They're often surprised [illegible] from Canada."

4 SMART EXPORTING TIPS

1. **Hire employees who speak the language** of the market you're courting. This provides buyers with confidence that someone can help them in their language, says Clevest's Ligocki, who has Spanish-speaking employees dealing with clients in Latin America.
2. **Consider partnerships in foreign markets.** It's easier to have a partner who understands the local culture than trying to figure it out yourself, ENBALA's Dizy advises.
3. **Mention the availability of EDC services** to potential foreign clients (such as buyer financing). "When you're a startup, having a large organization that's willing to stand behind you is very important," Ligocki says.
4. **Budget more than you think** to court export sales. "Take the number you think it will cost to pursue that new market and multiply it by two or three," says Awesense's Steiner-Jovic.

TOWARDS MORE SUSTAINABLE BUSINESS

Q&A WITH OLAF WEBER, UNIVERSITY OF WATERLOO

Is "doing good" good for investment and business results? Putting rigor to this question is Olaf Weber, EDC Chair in Environmental Finance at the University of Waterloo's School for Environment, Enterprise and Development (SEED). This unique interdisciplinary program is one of its kind in Canada and well beyond.

Here Weber looks at the case for responsible financing, and what it means for business and the economy.

q. What is your key role or mission as Canada's first-ever Chair in Environmental Finance?

My main tasks are research and teaching, particularly on integrating sustainability or corporate social responsibility (CSR) aspects in financial-sector decision making—relating to credit risk management, project financing and other major investments.

Another question is how to create new financial services that meet sustainability criteria. In my role as Chair, I aim to create new knowledge in this field that could be adopted by the financial industry in Canada or other countries.

q. How would you define sustainable financing?

It is about taking sustainability issues—for instance, social, human rights, governance and environmental factors—into account in decision-making on all types of loans and investments.

At best, financial institutions fully integrate these indicators into their analysis. Evidence shows that this approach can help manage the risks of both the banks and their clients.

It also can encourage businesses to take on new sustainable development opportunities, for example, by increasing support for businesses that develop renewable energy initiatives.

q. Why is there so much more attention to sustainability nowadays?

If you look at mining and human rights risks going back 20 years, there were a lot more dictatorships around the world then. Now we see many more democracies or emerging ones.

So if people don't agree with certain policies or activities today they can cause greater problems for governments and projects.

And with today's social media, there is also much more transparency than there used to be. It can expose issues in a once remote rain forest. So the risks didn't change, but the environment did... and keeps evolving.

Furthermore, environmental risks, such as climate change, have increased and become material for business and society. Consequently, they too are increasingly integrated in business decisions.

If you look at past product scandals in China, companies with strong CSR reporting were able to avoid such issues.

q. From your research so far, describe the connection between a company's level of CSR integration and its financial performance.

One study showed the impact of CSR integration on cash flow. We looked at whether the integration of recog[illegible] sustainability measures can create greater cash flow, [illegible] reduce a company's costs and create better markets

We found that borrowers with higher CSR performance have lower credit risk. For financial institutions, this means CSR criteria can help predict the financial performance of a debtor—such as whether or not a project could be at greater risk of default.

A recent report in the Harvard Business Review shows that sustainability has really become part of core business in North America, not an add on—especially in the financial sector. Today, some 90 per cent of commercial lenders take social and environmental factors into account in their lending

Many financial institutions, like EDC, also act[illegible] spread these best practices. Consumers too are more aware of the importance of CSR issues, so a business can't ignore them anymore.

q. You recently published a report on environmental, social and governance (ESG) reporting in China. What surprised you the most in your findings?

How quickly ESG reporting and integration is happen[illegible] China! We looked at the past five years—less than [illegible] of companies listed on Chinese stock exchanges [illegible] reporting at the beginning. Today it's more than [illegible] We did not expect such a big change.

It won't take long before CSR reporting grows to even more companies, especially since most are government-controlled in China; if there are new regulations in this area, virtually all [illegible] have to comply.

q. So do you see China and other emerging markets catching up to many CSR practices common here?

China is realizing that strong economic growth is creat[illegible] environmental and health issues and that if people get [illegible] won't be able to operate. This is also happening in Braz[illegible] big mining countries in South America. So growth and develop-ment is really pushing sustainability practices

[illegible] say, these markets are [illegible] and Europe, they may [illegible] is that they can [illegible] practices [illegible] and Europe

q. What research are you planning for the future?

We're trying to find out how the financial se[illegible] into account non-financial results an[illegible] the social return on investment. This knowledge [illegible]

For example, if a company is investing [illegible] can we use something like CO[illegible] reduction as a [illegible] indicator? We also need more consistent measur[illegible] otherwise it's hard to compare the [illegible] project over another

FOR WEBER'S VIEWS ON FUTURE TRENDS IN SUSTAINABLE BUSINESS AND FINANCE, SEE EXPORTWISE.CA

Weber's role as Chair in Environmental Finance [illegible] EDC as part of its community investment [illegible] environmental and social leadership [illegible] 2010, the Chair has had 25 publications [illegible] undergraduate program has grown from [illegible] per year to 120. The University of Water[illegible] Sustainability Management Master's program [illegible]

MEET OLAF WEBER

Olaf Weber is Associate Professor at Waterloo's SEED and EDC Chair of Environmental Finance. Previously, he was a managing partner at GOE, a Swiss consulting firm, developing systems to assess credit risks, and the environmental, social and governance performance of firms. He has also served as a senior researcher at the Swiss Federal Institute of Technology in Zurich and head of the Sustainable Finance Group.

CPCS is managing the privatization of Nigeria's power plants, like this one in Calabar.

Photo: Courtesy of CPCS

BUILDING CONNECTIONS AND INVESTMENT IN NIGERIA

By TS Buchanan

When Afolabi Oladele first got Canadian citizenship, he hoped to be a bridge builder, connecting Nigerian business opportunities with Canadian suppliers.

It's taken some time for trade and commerce to beef up, but the last five years have seen tremendous growth," says Oladele, part of the management team of African Capital Alliance (ACA), a Nigerian-based private equity firm.

ACA focuses on sectors of key importance to the country's economic development, such as power, oil and gas, telecom, and financial services, all of which mirror Canada's strongest export sectors.

Nigeria is Africa's most populous nation, with an estimated 170 million people. It is also Africa's leading oil producer; oil and gas account for about 90 per cent of export earnings and 80 per cent of government revenue.

The country's return to civilian government in 1999, followed by sound fiscal policy decisions, has brought economic stability and real gains in rural incomes.

With one of the fastest growth rates in the world, at 6 to 8 per cent a year for the medium term, Nigeria could become one of the future leading world economies, say many experts.

ACA manages the US$400 million Capital Alliance Private Equity III (CAPE III) of Nigeria, in which EDC invested US$7 million in 2011 to develop opportunities between Canadian companies and CAPE III's portfolio firms.

"Through our funds, we hope to improve the economic landscape of our markets, while also making money for our clients," says Oladele.

"With EDC's commitment to our fund, we can tap deeper into extensive Canadian expertise. We expect to build on this relationship to help create opportunities for Canadian companies planning to expand into the West African region."

Nigeria in particular is a relatively stable democracy, but its public institutions are fragile. There are disputes over access to resources, which have escalated local conflict, and lower global prices for crude oil following the economic crisis brought on a fiscal deficit.

But the last few years have seen several economic reforms and most sectors are open to private investment.

For example, Nigeria can now only meet 10 per cent of its power demands, so it needs massive amounts of investment for new and existing infrastructure (upgrades). "Nigeria's investment needs are too much for the government to sustain; which is why the country has opened up to the private sector."

Just 12 years ago, Nigeria had fewer than 300,000 telephone lines. After deregulation of the sector, the country now has more than 110 million lines, and the telecom industry now

Nigeria has one of the world's fastest growth rates—6 to 8 per cent a year for the medium term.

accounts for almost three per cent of GDP, giving rise to many more "multiplier" opportunities, as Oladele describes it.

Today, Nigeria is Canada's largest trading partner in Sub-Saharan Africa. Since 2006, bilateral trade between the two countries has more than doubled, reaching $2.3 billion in 2012, with Canadian direct investment in Nigeria reaching $36 million.

Earlier this year, Canada's Minister of International Trade Ed Fast led a trade mission to Nigeria, primarily to look at opportunities in oil and gas, energy and power generation, and mining-related infrastructure projects.

POWER PLAN

Recently, the Nigerian government made power generation a key part of its economic strategy, pledging to increase electricity generation more than sixfold over the next decade. Efforts to privatize power stations and distribution companies are now underway.

CPCS Transcom Ltd. is an international consulting firm that specializes in private sector participation in the power and transportation sectors. Based in Ottawa, with offices around the world, the company has experience in more than 100 countries, including 31 in Africa.

CPCS has worked throughout Africa to improve the efficiency and competitiveness of transport systems, restore and build facilities, and help public and private-sector clients develop strategies and financing arrangements for infrastructure development projects.

The reform of the Nigerian ports sector, led by CPCS, for instance, brought more than $700 million in investment into the country; this represents more than half of the cumulative total of private port financing ever raised in Sub-Saharan Africa.

Most recently, CPCS was retained by the Government of Nigeria to manage the privatization process for state companies in the generation and distribution areas of the energy sector—including 11 distribution companies and 10 power plants for a total of $2.7 billion in assets.

Among many things, they manage the process to bundle the assets, and receive and evaluate bids in a transparent and rigorous process. Their goal is to develop the industry structure enough to attract risk-averse investors, says CPCS's lead in Nigeria Arif Mohiuddin.

The company is currently generating interest from around the world, including Turkey, China, Japan, Malaysia and the United States.

CPCS led the reform of Nigeria's ports.
Photo: Courtesy of CPCS

A relatively small company, CPCS is seen as a specialist in Nigeria, competing with the likes of PwC, KPMG and Deloitte & Touche, and is recognized for its successes in the region. "Canada is well-known and highly respected in Nigeria," notes Mohiuddin.

By contrast, he adds: "The government can be overly optimistic with timelines and they expect a lot. And there are security issues and corruption, but it's not as bad as many believe. With experience and proper management, you can avoid these issues. We've had payment delays, but we've never not received payment."

Canada's CPCS has completed over 40 projects in Nigeria alone.

EDC's accounts receivables insurance can help mitigate default risk. Last year, EDC supported 17 Canadian companies doing business in Nigeria, and insured 29 international buyers for a total loan and insured exports value of nearly $27 million

Mohiuddin's advice to Canadian companies looking for opportunities in Nigeria: "You need to have a local presence, for sure. And you should understand that Nigerians want to speak with decision-makers, otherwise don't waste their time."

Interest from Canadian companies is building, notes EDC's Regional Manager for Africa Diane Belliveau. "We have some work to do to highlight the regional nuances and economic diversification that exist in Africa. Still, there are so many profitable opportunities for Canadian companies right now, and we could help them take advantage of the region's burgeoning growth." ■

SMALL BUSINESS TITAN DECKS OUT FOR GROWTH

By Jane Daly

When Richard Bergman graduated from law school and landed a position with a law firm, it looked like he was set for an exciting career as an intellectual property attorney. There was just one problem.

"I was not enjoying myself," Bergman admits, who is today much happier as the president and CEO of Titan Building Products in Ottawa. "Being a lawyer is a great job for some, but it wasn't for me."

Instead, Bergman felt pulled to return to his roots as a builder. During his teen and university years he had worked in construction. Indeed, he came from a long line of builders, including his father and grandfather, so a building career seemed to be a more natural fit for him.

Today, a "natural fit" is ingrained in the decks and related building components his company specializes in.

"I believe construction is both an art form and a science, and function needs to be combined with great-looking design," says Bergman, who found that traditional deck building materials and methods made his goal virtually impossible.

"I was frustrated by having to attach posts to decks using ugly metal brackets and lag bolts," he explains. "I also felt the system was not strong enough, and conventional connections tend to trap moisture against the wooden posts, causing them to rot much sooner than they should."

EUREKA MOMENT

Bergman found this frustration to be the mother of invention. He also realized many of his builder and do-it-yourself clients probably shared his concerns.

One day, the idea for a whole new way to build decks suddenly came to him.

"I realized that by driving an anchor up through the centre of the post, you could attach a wooden post to a deck (made of any hard surface) from the inside instead of the outside. This makes the hardware almost invisible and attaches the post more securely."

The new fastening system also kept the post drier, ensuring a longer life span.

> **"One customer kept missing payment milestones; it suddenly occurred to me... he wasn't going to pay."**

GETTING PAID, ONE BUYER AT A TIME

For a small business like Titan, EDC's **Single Buyer Insurance** may be the perfect solution to make sure the company gets paid.

Unlike similar credit insurance products, there's no requirement to insure the full book of business, so it's more flexible and affordable, depending on a company's needs and financial situation.

Once the insurance is in place, banks are usually more comfortable extending credit. Companies can apply online at **edc.ca**

The Titan Post Anchor™ became the first concealed wood-post surface-mounted anchoring system of its kind, and Bergman finally had an easy, cost-effective way to combine the beauty of wood with the strength of steel.

He went on to design and develop other innovative deck-building products.

SOLID EXPORTING FOUNDATION

Titan began exporting from the day it was born, due in part to Bergman's innovative marketing plan. Instead of a website that simply sold products, like a catalogue, he created *ideas-for-deck-designs.com* to help anyone build a deck like a pro, regardless of experience or skill level.

TRADE TIPS FROM TITAN

1. **Use outside resources:** In addition to EDC, Bergman teamed up with Invest Ottawa, which provided mentoring and support for starting a business.
2. **Know your capacity:** When looking for foreign customers, consider how it will affect your capacity, especially cash flows, and plan your strategy accordingly. A chain that has 200 outlets in Canada may have 2,000 in the U.S.
3. **Appreciate customers:** "It is an honour you believe in our products enough to add them to your inventory" is written right on the Titan website and reflects the way it treats customers.
4. **Join events:** Ask to participate in customer events and open houses to demonstrate your product.
5. **Profits for all:** Remember that everyone who deals with you, from manufacturers to distributors, has to make a profit too. Build that into your pricing infrastructure.

Homeowners and contractors came across the website while looking for building information, and stayed to buy the products. Orders came from around the world, including the U.S., UK, Australia and New Zealand.

Soon customers were asking their local building supply stores to stock Titan products, and Bergman began to build a retail distribution network. He also expanded the website to help retailers with everything from product training webinars to Titan artwork for their advertising.

LEARNING FROM PAST ERROR

Today, Titan enjoys $600,000 in sales annually, and a growing distribution network across Canada and the United States. Maintaining tight quality controls, it now also has reliable suppliers from China and New Zealand, in addition to Canada (Ontario).

But growth has not come without a few sleepless nights, says Bergman. "Shipment containers of ordered Titan products can be valued as high as $100,000," he explains.

"One customer kept missing payment milestones; it suddenly occurred to me with a sick feeling one night that he wasn't going to pay."

Fortunately, Bergman was able to sell off the product to other buyers, but it took over a year; he vowed he would never be in that position again. "I'm a family man with employees depending on me," he says. "How would I even go after someone in a foreign country?"

Bergman now takes deposits upfront and insures the remainder with EDC's single buyer insurance.

"For a small business, the fee for the insurance is very cost-effective. And it's a very simple process—I just go into my account with my password, fill out the information and I'm done. No more worries." ■

www.titanbuildingproducts.com

NEW GROUP TACKLES CREDIT RISK

By Mark Attley, President, Receivables Insurance Association of Canada (RIAC)

The lack of receivables insurance coverage (also called *credit insurance*) represents the biggest unidentified and uninsured exposure facing Canadian businesses today.

In much the same way mortgage insurance protects the bank in the event of a foreclosure, receivables insurance protects businesses from buyers—in Canada or abroad—that are unable to fulfill their invoice payment obligations.

Such unforeseen trade disruptions can include buyer insolvency, protracted default—a failure to meet obligations on time due to inadequate cash flow—or political disruptions that lead to a loss on current receivables.

Fewer than 10,000 of Canada's 1.1 million employer businesses use receivables insurance; a new national association aims to change this status quo.

INSURANCE PAYS

Receivables insurance policies pay out if an adverse economic or political event occurs that affects a business's ability to be paid for goods or services in transit or already provided.

Receivables insurance can also help businesses negotiate bigger loans, by using this insurance as collateral, or establish higher lines of credit for their customers, making it easier for those buyers to purchase more products or services.

For example, receivables insurance may allow a company to sell on 60-day terms instead of 30-day terms, or ship more products while they are in seasonal demand.

For smaller businesses, receivables insurance allows them to get valuable advice and country intelligence that aids credit management. Purchasing a receivables insurance policy gains you access to the global resources of trade credit insurance companies.

Despite these benefits, fewer than 10,000 of Canada's 1.1 million employer businesses currently use receivables insurance as part of their financial planning, leaving tens of thousands of companies unduly exposed—often simply because they are unaware of the advantages of protecting what is often their most valuable asset.

ERASE CONFUSION

Another part of our new association's challenge is to erase a misunderstanding among Canada's CEOs, CFOs, credit and risk managers, and bank managers about the role of receivables insurance, with many believing it can only be used to protect export sales.

This is untrue, and in a volatile economic climate that can adversely affect Canadian companies, unwise as well.

RIAC is working closely with Canadian property and casualty brokers and their banking industry partners to better protect business across Canada and help them grow locally and globally.

We believe this collaboration can expand the $200 million credit insurance market to our goal of $350 million within five years.

It's an achievable goal that is a platform for Canadian brokers to forge new relationships with their clients—and to benefit Canadian business at large.

The **Receivables Insurance Association of Canada**, RIAC, a new member-driven organization, was launched this summer to create awareness and a deeper understanding about the business advantages of receivables insurance.

RAIC is backed by a "Group of Seven" underwriters, including EDC and three founding brokers.
receivablesinsurancecanada.com

CREDIT INSURANCE HELPS DODGE RISK

By Ian Scarth, President, SailRail Automated Systems

Our company operates in a niche market, complementing large global companies that focus on designing an entire assembly plant—whether in the automotive, pulp and paper, computer or other major industry.

What makes us unique and competitive is our ability to pool our network of partners that manufacture the products we design through our innovative engineering capabilities. Our business model enables us to manufacture close to our client, and to deliver a high level of personalized service during the entire product life-cycle.

We entered the export market in the late 1980s. The decision to start exporting was easy for us: it was 100 per cent client-driven. One of our long-time clients was building a plant in Mexico to assemble its new product and it wanted our manufacturing solutions, so we followed.

We are now present in the United States, Mexico and Brazil, and are working towards expanding our global presence in the near future.

STRESS VS. SOLUTION

With 70 per cent of our products exported to the United States and 10 per cent to Mexico, an unpaid account can be a source of financial stress for a medium-sized business like SailRail.

Our business was obviously affected by the 2008 recession in the United States and we were faced with the difficult choice of abandoning our insurance policy with EDC to cut costs. We then had a major client fail to pay us for work completed, the consequences of which we are still dealing with today.

We work hard at building relationships with our clients, but, we also have to safeguard our assets—and receivables insurance is one of our most effective risk-aversion tools.

Having had accounts receivable insurance would have saved us a lot of trouble; as soon as business started picking up again, we bought back our EDC insurance.

EDC has been instrumental in giving us the support we need to keep going forward. Credit insurance is also a bonus when we negotiate with our bank since they often base their calculations on assets, of which receivables are an important part for us.

Our relationship with EDC is not only a source of security for us in North America, it gives us the assurance we can grow our business in the global marketplace—and get paid for every project we realize on the way. ■

SailRail serves more than a dozen industries globally with its automated material handling solutions.

Photo: Courtesy of SailRail

SailRail Automated Systems, based in Markham, Ontario, has been a Tier 1 automotive supplier for over 20 years.

The company also does business in the United States, Mexico, South America and Europe, providing automated material handling solutions, and is a leader in ergonomic equipment, such as carts, dollies and turntables.
sailrail.com

CREDIT INSURANCE PROVIDES MORE CUSTOMERS, MORE CASH

If you're looking for more customers and more cash, credit insurance can help you achieve that. Here's how.

MORE CUSTOMERS

Because credit insurance protects against a range of commercial and political risks, you can offer customers more flexible payment terms without sweating your bottom line. When the terms are that attractive, it can be a lot easier to turn a potential sale into a real one.

MORE CASH

Banks may be willing to provide more financing when your domestic and foreign sales receivables are backed by credit insurance—especially if you assign the policy proceeds to them. This can boost your credit capacity.

Let's assume you have $1,000,000 in domestic sales and $500,000 in foreign sales (including the U.S.). If you use credit insurance, your bank may be willing to increase your credit capacity by 80%—for a total of $1.35 million. ■

Exporters are often surprised to learn that the everyday tools they need to conduct business—like insurance, bonding and financing—can be used in various ways to help their business win more contracts, enter new markets and grow. In each issue of ExportWise, we'll spotlight one EDC product and how you can use it to help achieve several business goals.

Find many other solutions at
www.edc.ca/toolkit

Credit Capacity **Without** Credit Insurance

$750K

Domestic Sales $1,000,000
Bank Margins 75% = $750,000

Foreign Sales $500,000
Bank Margins 0% = $0

Credit Capacity **With** Credit Insurance

$1.35M

Domestic Sales $1,000,000
Bank Margins 90% = $900,000

Foreign Sales $500,000
Bank Margins 90% = $450,000

Bank margins shown are for demonstration purposes.

EDC BONDING SOLUTIONS

Posting bonds and guarantees is a necessary part of exporting, which can tie up your bank line. We have a range of bonding and guarantee solutions, offered in partnership with financial institutions, which can help you to free up the working capital you need.

EDC FINANCING SOLUTIONS

Don't let a lack of financing stand in the way of your export plans. Whether you're looking to break into a new market, fill an order or participate in a large-scale global project, our financing solutions can help you access a reliable source of working capital—to keep your sales cycle running smoothly.

HOW DO I GET MONEY TO GROW?

With Dominique Bergevin, Insurance Group Advisor, and Mélanie Carter, Small Business Account Manager

DEAR TRADETALK,

I'm always in a catch-22. I want to explore new markets and customers, but I have very little money to attend trade shows. Even when I do land a new contract, my bank can't always extend my credit so I can fulfill the order. How do I help my business to grow?

Financing and cash flow crunches are common challenges. One solution is BDC's Market Xpansion Loan, which provides up to $100,000 for activities such as participating in trade shows or developing an export plan (for details, see **bdc.ca**).

As well, your bank may be able to loosen the purse strings if your contract has credit insurance. One EDC solution created especially for smaller companies is Single Buyer Insurance, in which you can easily and affordably insure sales to a single customer.

If your bank is willing to extend credit due to this mitigated risk, you can use the extra cash flow to connect with potential customers or even offer more favourable financing terms. Learn more at **www.edc.ca/toolkit**.

I INADVERTENTLY INSULTED MY CUSTOMER. HOW CAN I PREVENT A FUTURE FAUX PAS?

DEAR TRADETALK,

I was delighted when my Italian customer invited me and several other business people to their home for dinner. Wanting to be a gracious guest, I brought along flowers for the hosts. Later, a colleague pulled me aside and told me the flowers I'd chosen—chrysanthemums—are reserved for funerals in Italy. I was mortified and would like to know how to prevent this from happening again.

Probably every Canadian company has at least one story of committing a faux pas. Still, understanding the local culture helps you build business relationships, and can help you strategize as well. For example, in some cultures your customer's "maybe" actually means "no", and "I'll call you soon" may mean next month.

Fortunately, there are many great resources to help—such as the Canadian Trade Commissioner Service, which has a wealth of market-related information at **tradecommissioner.gc.ca**.

Other valuable resources include:

- **www.executiveplanet.com**: etiquette, negotiating tactics and business dress.
- **www.kwintessential.co.uk/resources/country-profiles.html**: etiquette, customs and protocol, downloadable to your mobile.
- **www.edc.ca/EN/Knowledge-Centre/Publications/Pages/default.aspx**: EDC's free Country Guides at **edc.ca** provide a good overview of etiquette and business practices. ■

GOT A BURNING QUESTION ABOUT YOUR INTERNATIONAL SALES?

Send it to **info@edc.ca**

Our experts will answer your letters directly and, with the writer's permission, we will include a few examples in each issue of ExportWise.